

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6166**

**BILL NUMBER:** HB 1169

**NOTE PREPARED:** Nov 16, 2003

**BILL AMENDED:**

**SUBJECT:** Build Indiana Fund.

**FIRST AUTHOR:** Rep. Grubb

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** The bill provides that the gaming revenue set aside each year for revenue sharing shall be used to fund local Build Indiana Fund (BIF) projects for which appropriations were made before December 31, 2001, until all the projects that receive Budget Committee review are funded. The bill suspends distributions for revenue sharing from the State Gaming Fund until all local projects are reviewed and those that are favorably reviewed are funded. It also requires the Budget Agency to set up a procedure for implementing the gaming revenue transfers and for approving, after Budget Committee review, projects for funding.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** The bill requires the Treasurer of State to suspend gaming revenue-sharing distributions until the suspended local capital projects are reviewed by the State Budget Committee. This provision expires June 30, 2008.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill would divert approximately \$63.6 M from gaming revenue sharing from FY 2005 to FY 2008. Potentially, this would eliminate gaming revenue sharing in FY 2005 and leave only \$2.4 M for revenue sharing in FY 2006. Revenue-sharing money would be diverted to BIF local capital projects for which appropriations were made prior to December 31, 2001, but have not been approved for funding by the Budget Committee. BIF local capital project appropriations totaling \$63.6 M are currently

suspended as part of the Governor's 2002 Deficit Management Plan. Under the Deficit Management Plan, appropriations were suspended for BIF state and local capital projects to allow for the transfer of \$247.3 M from BIF to the state General Fund. The bill also requires the Treasurer of State to suspend gaming revenue-sharing distributions until the suspended local projects are reviewed by the State Budget Committee. This provision expires June 30, 2008.

It is important to note that BIF could potentially have an ending balance of about \$12.9 M in FY 2004 and \$13.8 M each year beginning in FY 2005. To the extent that these balances are utilized to pay for suspended BIF local capital projects, the impact on gaming revenue sharing due to this bill would be reduced.

*Revenue Sharing:* Under current law, the first \$33.0 M in Riverboat Wagering Tax collections during a fiscal year are earmarked for local revenue sharing. The revenue-sharing amount must be distributed on a per capita basis to counties not containing riverboat casinos and to cities and towns in those counties.

*Build Indiana Fund: Resources Available to BIF* - The Build Indiana Fund receives funds from two sources: (1) surplus Lottery revenue and (2) revenues from gaming taxes and pari-mutuel taxes. Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to BIF.

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to BIF. Beginning in FY 2003, the total annual distribution to BIF from Lottery, gaming, and pari-mutuel sources is effectively capped at \$250 M. (This is because current statute limits the annual distribution of Riverboat Wagering Tax revenue at an amount equal to \$250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to BIF during that fiscal year.)

*Distributions from BIF* - Under current statute, \$236.2 M annually must be transferred from BIF to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. Money remaining in BIF after the MVETRA transfer is available for state and local capital projects. However, the 2001-03 Biennial Budget (P.L. 291-2001) required a transfer of \$175 M in FY 2003 from BIF to the Property Tax Replacement Fund (PTRF). This transfer was made by the State Budget Agency on August 13, 2002. Consequently, the remaining resources in BIF during FY 2003 funded only \$100.4 M of the MVETRA transfer required to total \$236.2 M. To cover the shortfall, additional transfers to BIF totaling \$134.9 M were made during FY 2003. This left a deficit of approximately \$900,000 in BIF at the end of FY 2003. As a result, it is estimated that \$12.9 M will be available for state and local capital projects in FY 2004; and \$13.8 M in FY 2005. The table below contains actual and projected BIF revenue and spending totals for FY 2003 to FY 2005.

**Surplus Lottery and Gaming Revenue & Distributions (Millions)\***

<b>Revenues &amp; Distributions</b>	<b>FY 2003 (Actual)</b>	<b>FY 2004 (Projected)</b>	<b>FY 2005 (Projected)</b>
Beginning Balance in BIF	\$24.5	(\$0.9)	\$0.0
Surplus Lottery Revenue in Adm. Trust Fund	\$168.7	\$165.0	\$165.0
TRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)
PRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)
Surplus Lottery Revenue to BIF	\$108.7	\$105.0	\$105.0
Surplus Gaming Revenue to BIF	\$141.3	\$145.0	\$145.0
Interest	\$0.9	\$0.0	\$0.0
Transfers to BIF**	\$134.9	\$0.0	\$0.0
Total Resources in BIF	\$410.3	\$249.1	\$250.0
MVETRA Transfer	(\$236.2)	(\$236.2)	(\$236.2)
PTRF Transfer^	(\$175.0)	\$0.0	\$0.0
Total Transfers	(\$411.2)	(\$236.2)	(\$236.2)
Amount Available for State & Local Capital Projects*^	\$0.0	\$12.9	\$13.8
Amount Allotted to State & Local Capital Projects*^	\$0.0		

\*Updated 10/6/03.

\*\*Transfers into BIF totaling \$131.8 M from the state General Fund for Motor Vehicle Excise Tax Replacement;  
\$3.0 M from the State Fair; and \$100,000 from loan repayments.

^Transfer required under 2001-03 Biennial Budget (P.L. 291-2001).

\*^Actual totals in FY 2003.

**State Agencies Affected:** State Budget Agency, Budget Committee, State Treasurer.

**Local Agencies Affected:** Local units receiving gaming revenues; local units with suspended BIF projects.

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